

**HELP ADVISORY COMMITTEE  
STUDY SESSION  
AUGUST 7, 2001  
PAYSON, ARIZONA**

**Committee Members Present:**

Cliff Potts  
Jeff Martin

Paul Schwartz  
Tami Ryall

**Members Absent:**

Gary Magrino

Bill Beyer

**Others Present:**

Kathleen Morley, ADOT Tax & Resource  
Administrator  
Mayor Roy Schum , Payson

Anna-Marie Perry, ADOT  
Steve Schaefer, ADOT

**Call to Order**

The meeting was called to order at 9:30, by Kathleen Morley. Ms. Morley told the Committee that Mary Peters was out of state, Victor Mendez was not able to attend and John McGee was attending Senator Hart's funeral in Globe, that in their absence she had been designated Chairman. She thanked everyone for attending and introduced Roy Schum, Mayor of Payson. The Mayor welcomed the Committee to Payson and thanked them for their support of the HELP loan to advance the McLane Road project.

**HELP Update**

Ms. Morley reminded the members that this was a Study Session and that no action would be taken. After reviewing the agenda, members were told their packets contained the standard monthly reports and the quarterly regional report. Ms. Morley informed the Committee that there were two scheduled October meetings and that the October 9 meeting would be held if necessary for the Committee to act on loan applications. She advised the Committee that the meeting could be a teleconference.

**Cash Flow**

An updated cash flow and listing of projects currently included in the cash flow was distributed. Ms Morley gave the members an overview of the report. A detail of all projects was available for their review. She walked the Committee through draw downs and repayments of Board Funding Obligations, including the additional \$40 million BFO authority. A low annual balance of \$14 million in 2004 needs to be monitored. Most of the loan amounts are estimates and the balances will change as loans are made, funds are drawn down and repaid. The Committee was told that the projections through 2004 are close to meeting the 50-25-25 legislative mandate. As local communities and ADOT identified projects those percentages would change. In response to a member's question, Ms. Morley stated that if local communities in the PAG and Statewide regions did not submit projects to meet the percentages, ADOT has identified projects to meet them. She said that in the future the Committee may have to prioritize projects they send forward to the Transportation Board.

### **Review and Approval Process**

Mr. Martin asked if ADOT paid interest on projects identified as ADOT sponsored that if ADOT is paying interest what if any, was the policy. Mr. Martin and Ms. Ryall stated MAG and locals are paying interest on loans for the regional freeway system and MAG's portion of the interest is being paid with RARF funds. Mr. Martin said he felt ADOT should pay interest for large rural projects without local sponsors, Christopher Creek project was cited. He further stated that Tucson was the second largest city in Arizona and in his opinion should be paying a portion of the interest for projects being advanced with a HELP loan in the PAG region.

Mr. Potts stated he recalled the Committee had been told, early in the program, that if a project was on the statewide system the State would pay the interest and if a project was on the secondary system, the locals would pay the interest. (He also said he could be mistaken.) The Committee agreed that further discussion needed to take place regarding payment of interest. Ms. Morley said she would research the issue to find out where the decision had been made and that possibly the issue should be included in the next agenda. Mr. Martin requested the issue be put on the agenda for the September 4, meeting. Mr. Schwartz asked if the Committee would be responsible for setting policy or if recommendations would be sent to the Transportation Board. Ms. Morley responded the Transportation Board would make the final decision. She told the Committee staff would pursue the issue for historical information and options.

Ms Morley told the Committee that currently the fund is cash heavy, the Committee has not had to prioritize applications recommended for approval, but there may be a need to prioritize in the near future. When prioritizing the primary consideration is the cash flow, to insure availability of funds. She said there was the possibility of having to structure loan disbursements to accommodate the cash flow as well.

The Technical Committee's scoring of applications is the second consideration. She said the current process was set up to allow for flexibility in reviewing loan applications. One option would be to formalize scoring guidelines for the Technical Committee. If scoring was not consistent, there could be a disadvantage to an applicant.

Mr. Schwartz stated he could not cite a specific example but he felt the range in scores for the same applications were very different. That there may be a need for more stringent guidelines for consistency, or possibly it was good to have the variance.

The Committee was told all applications may not be scored by the entire Technical Committee, at times 5 members scored and other times 7 scored. She said one member scoring on the low end could skew the average as could one member scoring on the low side and one member scoring on the high side. A possible solution is to throw high and low scores out or set more definitive criteria to eliminate (control) personal preferences.

Mr. Martin pointed out financial participation was not intended to be based on payment of interest only. Ms. Ryall agreed, both said this issue needed more discussion by the Committee.

Ms Morley told the Committee their packets contained a comparison of current scoring criteria and statute. She said the law reads "at least" to identify what should be evaluated and questioned whether the criteria currently used to score equated to the statute. Statute reads "a preference of 20%" for financial participation, the current scoring made it a part of the overall score. She stated it could be a matter of interpretation. She pointed out the requirement for a preference being

given to smaller and rural cities and counties did not appear to be addressed in the current scoring.

Ms Morley stated the Technical Committee did not have formal guidelines for determining financial participation. Mr. Martin stated the intent was to give ADOT the maximum flexibility in evaluating applications. He said the preference was intended to, when all other things were equal, give preference to an applicant securing additional funding such as bonds, private participation, or was using funds that would not normally be spent on a project to make the project happen. After everything else was scored the preference would be added. He said that when the fund is cash rich, the preference does not come into play, but will come into play after 2004.

Mr. Martin said scoring timeliness of repayment should be based on, as an example a 2 year repayment or a 5 year repayment, the 2 year repayment should score higher.

Mr. Schwartz stated he does not agree with the financial criteria having a higher score value than safety. The assignment of points had been discussed at prior meetings and should possibly be discussed again.

Mr. Martin suggested providing the Technical Committee more direction of what the Advisory Committee is looking for in scoring financial participation and timeliness of repayment. Mr. Potts suggested the Committee not get bogged down or make the criteria so finite that projects were eliminated before they reached the Advisory Committee. He agreed with Mr. Martin that the Technical Committee needed more direction. Mr. Martin said he felt the examples in the handout should clarify the criteria, except financial participation and timeliness of repayment. Ms Ryall stated there may be a need for clarification in the areas of mobility and air quality.

The Committee requested staff draft language for the Technical Committee based on the discussion. Mr. Potts and Mr. Schwartz asked for feed back from the Committee on the guidelines.

Ms Morley told the members one issue that has not been addressed is loans approved, but funds not drawn, and did they need to address the issue. Ms Morley stated one of the requirements of the loan repayment agreement was for the recipient to submit quarterly reports to the Board updating progress of spending and project status. The reports are not being submitted, but staff will be sending letters requesting the updates.

Mr. Potts and Mr. Schwartz both said they would like to hear feed back from the Tech Committee on the above. Mr. Schwartz asked if a member of the Technical Committee could attend the September meeting to answer questions or give the report.

#### Timing of Disbursements

Mr. Schaefer provided the Committee options for language to be included in the loan repayment agreement. Timing of disbursement could be tied to the advertisement or bid dates. He suggested there was not the need for the language citing only one instance of a community asking for funds to be disbursed several months prior to the project beginning. Ms Morley stated there were a couple of issues of when the funds would be disbursed, the first is a function of the application the second if funds are disbursed can the funds be called back if not spent in a timely manner. She said the agreement included a non performance clause.

Consensus was that it is not a major issue but locals need to understand when funds will be disbursed. The award of the contract committed a community to the project Mr. Schaefer told the Committee, staff would continue to bring these issues to the Committee if they came up.

Mr. Potts said in his opinion a sentence in the application addressing the issue was sufficient. The HELP program should not be in the business of creating arbitrage. Timing of disbursements should be reasonable and make good business sense. Consensus that disbursement is at award of contract with caveat about right of way and design. Disbursement for construction only should be at award of contract, design and right of way negotiated on a case by case basis.

Ms Morley asked if the benefit of acceleration was minimal and there are other uses for that money, should the loan be recalled? Ms Perry said the revised application form would request more specific information about timing of bids and awards of contracts to provide the Committee with more solid information.

Ms Morley reminded the Committee that because this was a Study Session no decision could be made as to timing of disbursements, but options for consideration were at council bid approval or at bid award date, but not prior to either. Ms Ryall suggested more discussion with all members present was needed and should include how disbursement for loans that included right of way, design and construction would be made.

#### **Comments on Draft Annual Report**

Mr. Schaefer gave a brief overview of the draft annual report. The Committee was told a mock up of the report would be distributed at the September meeting.

#### **Proposed Application Revisions**

Ms Perry distributed a draft of proposed changes to the application and asked for comments from the Committee. She told the Committee a final draft would be distributed after scoring criteria had been finalized.

#### **New Business**

There was no new business, Ms. Morley adjourned the meeting at 11:45 a.m.